news

BUSINESS ECONOMICS DIVISION

FOR RELEASE:
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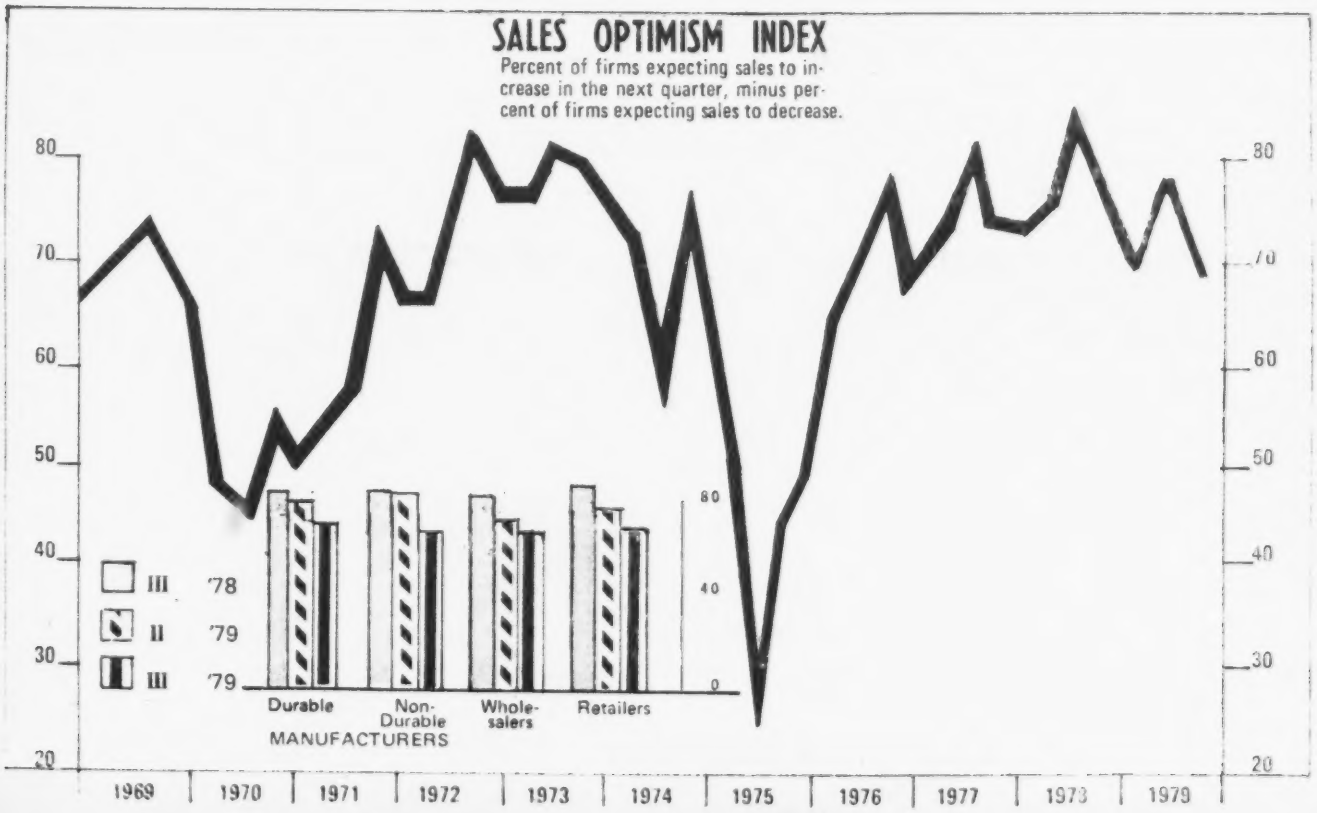
Businessmen's Expectations

V-20 No. 3

BUSINESS OPTIMISM FOR THIRD QUARTER SAGS MODERATELY IN DUN & BRADSTREET'S SURVEY OF EXPECTATIONS

NEW YORK, July 19--Business optimism showed signs of wilting but still remained far above recession levels in the latest Dun & Bradstreet Survey of Businessmen's Expectations. Among the 1,467 executives interviewed about third quarter prospects for their businesses, confidence dimmed in regard to sales and new orders, erasing the rebound which occurred in the previous quarter. In puzzling contrast, their outlook on profits and employment changed only slightly.

The Sales Optimism Index--the percentage of executives expecting increases minus the percentage expecting decreases--dropped to 69 from 77 in the preceding survey. While this was the lowest reading since the first quarter of 1977, it retained a healthy amount of cheer when compared with the 46 registered in the similar quarter of '75.



By far the steepest decline in sales optimism took place among non-durable goods manufacturers whose index was down to 68 from 82, a remarkable turn-around since this group had been most sanguine a quarter earlier. Wholesalers showed the least change, a dip of five points.

Two out of three of the manufacturing leaders polled looked for an increase in new orders in the third quarter, fewer than in the second quarter when nearly three out of four anticipated a growth in bookings.

Contrary to the lessening confidence about sales and orders, the Profits Optimism Index shifted only slightly, easing to 61 from 64. This ebb in cheer about the bottom line centered among retailers and wholesalers whereas manufacturers held firm on their earnings predictions.

The upturn in expectations of inventory growth noted in the previous survey was short-lived. In the latest poll, 53 per cent anticipated an increase in stocks, the second smallest portion in six quarters. Actually, manufacturers, particularly those in non-durable goods industries, accounted for this decline. Across the board, some 10 to 11 per cent forecast a cutback in stocks. This was less than one-half the 29 per cent expecting curtailed inventories during the recession in '75.

For three straight quarters, predictions on employee rosters have varied little. Additions to payrolls were anticipated by 22 per cent of the executives questioned as against 24 per cent in both the second and first quarters of 1979. But, there was a closer consensus among manufacturers, wholesalers and retailers than in the preceding round of interviews. Durable goods makers, generally by far the most optimistic about adding employees, reduced their sights considerably, with 26 per cent projecting increases vs. 35 per cent in the second quarter survey.

Higher price tags were expected by 82 per cent of the business leaders, up an edge from 81 per cent a quarter earlier and the most since the end of 1974. Most frequently anticipating a further hike were wholesalers and retailers.

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3. BUSINESSMEN'S EXPECTATIONS

SURVEY OF BUSINESSMEN'S EXPECTATIONS
Conducted by Dun & Bradstreet

WHAT BUSINESSMEN EXPECT FOR THE
THIRD QUARTER OF 1979 COMPARED WITH THE THIRD QUARTER OF 1978

(Interview Period: May 7-18, 1979)

			All Concerns	Total Manufacturers	Manufacturers Durables	Manufacturers Non-Durables	Wholesalers	Retailers
	Number Reporting		1467	773	545	228	403	291
Net Sales	Per Cent Reporting	(Increase	76	76	77	75	75	75
		(No Change	17	17	16	18	18	19
		(Decrease	7	7	7	7	7	6
	Number Reporting		1425	754	532	222	387	284
Net Profits	Per Cent Reporting	(Increase	67	69	70	67	63	66
		(No Change	27	25	24	26	29	28
		(Decrease	6	6	6	7	8	6
	Number Reporting		1446	767	538	229	390	289
Selling Prices	Per Cent Reporting	(Increase	82	79	79	79	86	85
		(No Change	16	19	19	18	13	13
		(Decrease	2	2	2	3	1	2
	Number Reporting		1456	767	542	225	399	290
Level of Inventories*	Per Cent Reporting	(Increase	53	52	54	47	53	57
		(No Change	36	37	35	42	37	32
		(Decrease	11	11	11	11	10	11
	Number Reporting		1462	771	539	232	403	288
Number of Employees*	Per Cent Reporting	(Increase	22	25	26	21	20	19
		(No Change	73	70	69	73	75	75
		(Decrease	5	5	5	6	5	6
	Number Reporting			730	523	207		
New Orders	Per Cent Reporting	(Increase		67	69	62		
		(No Change		26	24	31		
		(Decrease		7	7	7		

*End of Quarter.